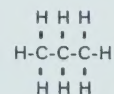


Steelman Gas Limited Annual Report 1958

The cover design is based on the molecular structure of propane—an important product of the Steelman plant. Propane, with a chemical formula of C_3H_8 , has three carbon and eight hydrogen atoms in each molecule. The molecular structure as shown on the cover is a chain of carbon atoms surrounded by hydrogen atoms in the following manner:



The background design represents another plant product, butane, which has a chemical formula of C_4H_{10} and a similar molecular structure with an extra carbon atom and two extra hydrogen atoms in each molecule.

The photographs used in this cover are of a model plant built to assist in the design and lay-out of the facilities.

Head Office

2236 Albert Street, Regina, Saskatchewan

Principal Office

528 Ninth Avenue West, Calgary, Alberta

Directors

N.J.Alexander, *Winnipeg, Manitoba*

C.S.Dunkley, *Calgary, Alberta*

J.P.Gallagher, *Calgary, Alberta*

M.A.MacPherson, Q.C., *Regina, Saskatchewan*

C.W.Michel, *New York, N.Y.*

M.F.Strong, *Calgary, Alberta*

D.M.Wolcott, *Calgary, Alberta*

Officers

J.P.Gallagher, *President*

D.M.Wolcott, *Vice-President*

M.F.Strong, *Vice-President and Treasurer*

H.M.Burgess, *Secretary*

T.S.M.Gard, *Assistant Treasurer*

Registrar and Transfer Agent

Montreal Trust Company

Regina, Montreal, Toronto, Winnipeg, Calgary, Vancouver

Legal Counsel

MacPherson, Leslie and Tyerman

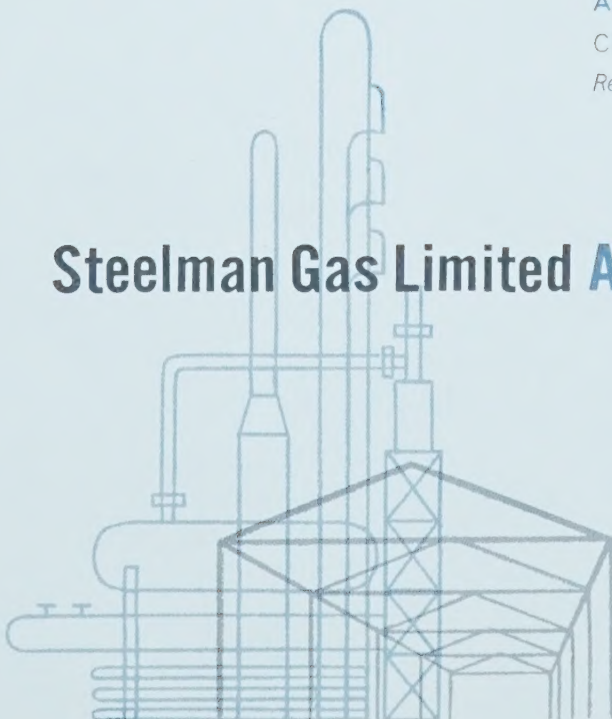
Regina, Saskatchewan

Auditors

Clarkson, Gordon and Co.

Regina, Saskatchewan, Calgary, Alberta

Steelman Gas Limited Annual Report 1958







Report of the Directors

To the Shareholders:

On October 30, 1958 Steelman Gas Limited opened its first gas conservation plant located at Steelman, Saskatchewan.

This plant serves Saskatchewan's most productive oil field and its completion is an important step in the greater utilization of the province's natural resources. The casinghead gas, formerly flared as a waste product in the production of oil at Steelman, cannot be used directly for domestic or industrial consumption. The plant constructed at Steelman separates the propane, butanes, natural gasoline and sulphur from the casinghead gas, leaving a dry residue or saleable gas. These products are all suitable for domestic and industrial use.

The importance of the plant as a conservation measure is illustrated by the fact that the casinghead gas, processed over the life of the fields served, will have a product value in excess of \$50,000,000.

Investigations into the possibility of conserving casinghead gas in the Steelman area were started in the fall of 1956. Following a public hearing by the Saskatchewan Government, permission was granted to Steelman on August 13, 1957 to construct the necessary facilities. Financing was then arranged. Actual construction began on June 7, 1958 and was completed on schedule in late October.

Supply of casinghead gas—Steeleman has entered into 20 year gas purchase contracts with the producing companies in the Steelman field. Under the terms of these contracts, the Company has the right to purchase casinghead gas produced from all horizons of Mississippian Age underlying certain specified lands in the field.

Alex W. McCoy Associates, Inc., petroleum consultants, Tulsa, Oklahoma, estimate that the net available proven and probable casinghead gas reserves in the Steelman field are 341.2 billion cubic feet and 157.4 billion cubic feet respectively. This firm's report also estimates that the following amounts of saleable gas, liquid

products and sulphur would be recoverable from these reserves if they were all processed:

	<i>Proven Reserves</i>	<i>Probable Reserves</i>	<i>Total Proven & Probable Reserves</i>
Saleable gas* (billions of cubic feet)	280.1	129.2	409.3
Propane (millions of Imperial gallons)	631.9	291.5	923.4
Butanes (millions of Imperial gallons)	421.3	194.4	615.7
Natural Gasoline (millions of Imperial gallons)	249.7	115.2	364.9
Sulphur (long tons)	102,360	47,220	149,580

**1000 BTU per cubic foot*

Plant and gathering system—The plant is designed for a minimum throughput of 25 million cubic feet of casinghead gas per day. Portions of the plant are designed and constructed to handle 45 million cubic feet per day in order to allow expansion of throughput at a minimum additional cost. The processing of the casinghead gas is carried out by combined refrigeration and absorption methods. A flow chart and a brief description of this process appears on page 9 of this report and a pictorial drawing of the facilities is on pages 6 and 7.

The gathering system consists of approximately 95 miles of line and five field compressor stations. This system gathers from 120 batteries owned by 29 different producers in the Steelman field. A plan of this system is shown on the opposite page.

Production—At a daily throughput of 25 million cubic feet, Stearns-Roger Engineering Company Limited estimated, in a report to the Company, that the plant would produce the following approximate quantities of product:

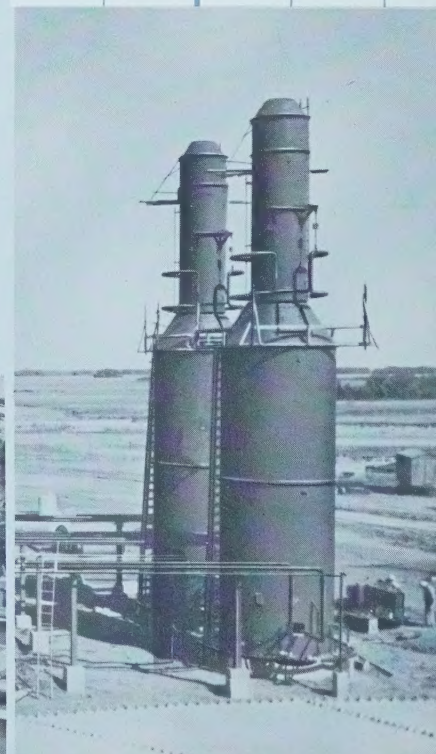
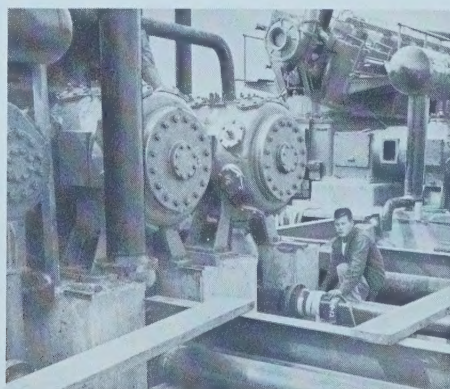
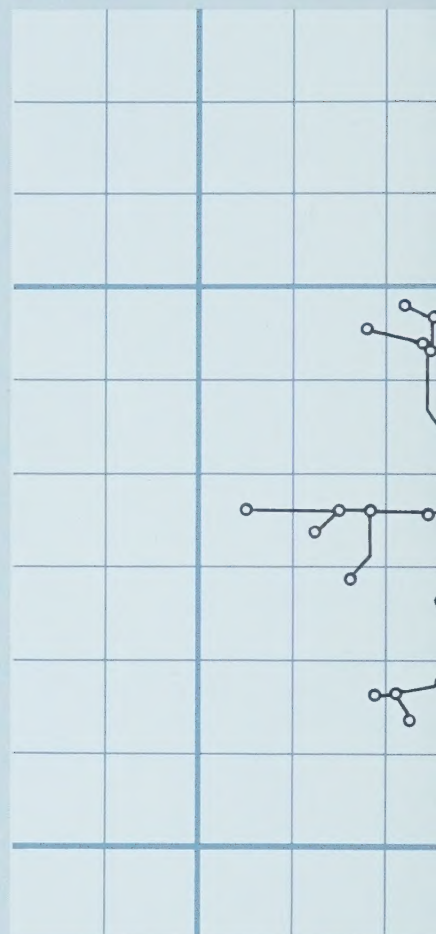
	<i>Daily</i>	<i>Annually</i>
Saleable gas* (thousands of cubic feet)	20,525	7,492,000
Propane (Imperial gallons)	46,300	16,900,000
Iso-Butane (Imperial gallons)	8,600	3,139,000
Normal Butane (Imperial gallons)	22,275	8,130,000
Natural Gasoline (Imperial gallons)	18,300	6,680,000
Sulphur (long tons)	7.5	2,737

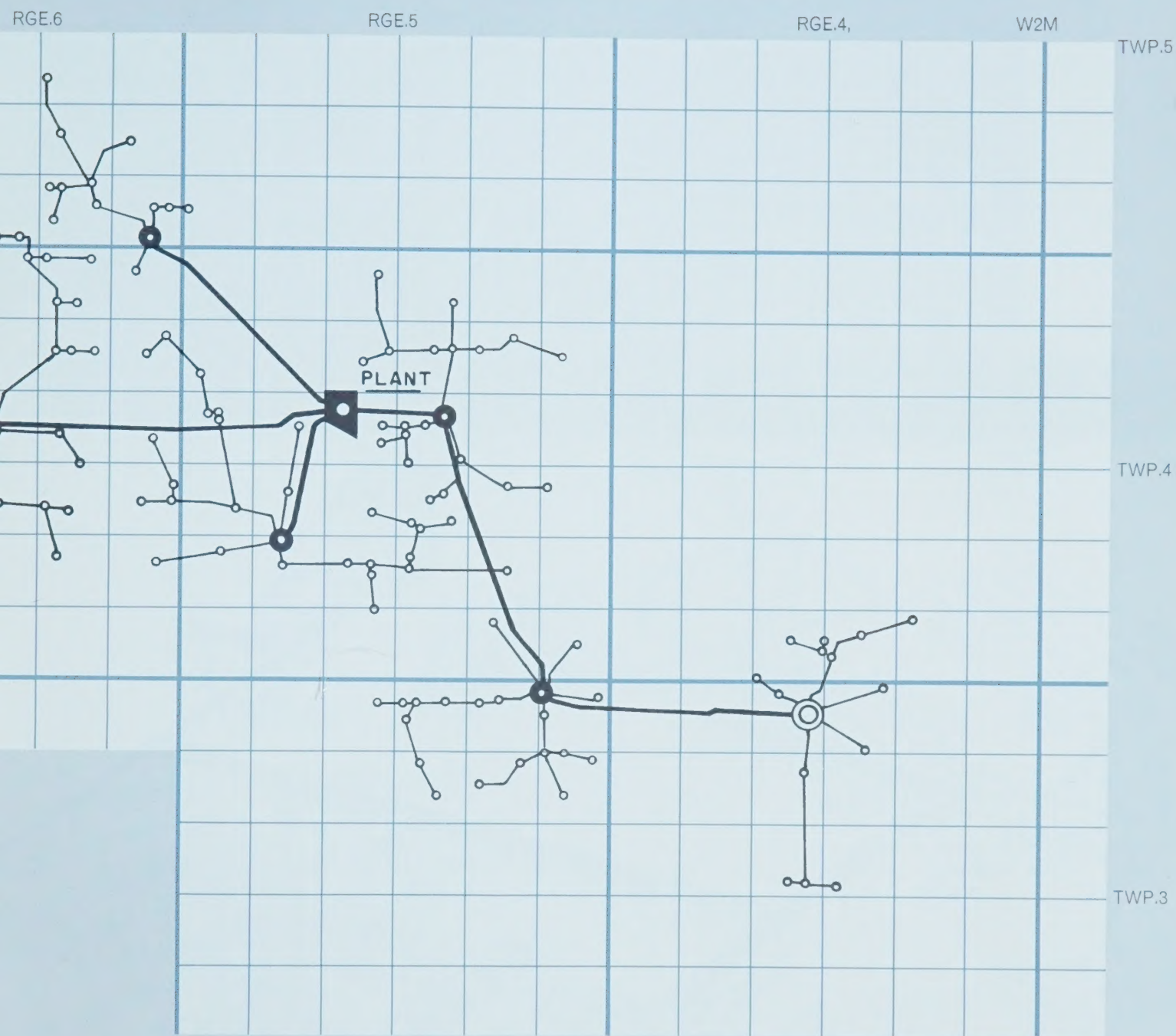
**1000 BTU per cubic foot*

Marketing—Long term marketing contracts have been completed for the plant's two main products, residue gas and propane. The dry residue gas is sold under a 20 year contract to the Saskatchewan Power Corporation for distribution to its consumers throughout the province. The propane is sold under a 12 year contract to Anchor Petroleum Company for distribution to retail marketers and industrial consumers. The sulphur is being sold under contract to International Sulphur Company. These contracts provide for full take or pay and guarantee a minimum price to the Company for the products sold.

Short term contracts have been entered into for the sale of all of the natural gasoline and butanes currently being produced.

RGE.7



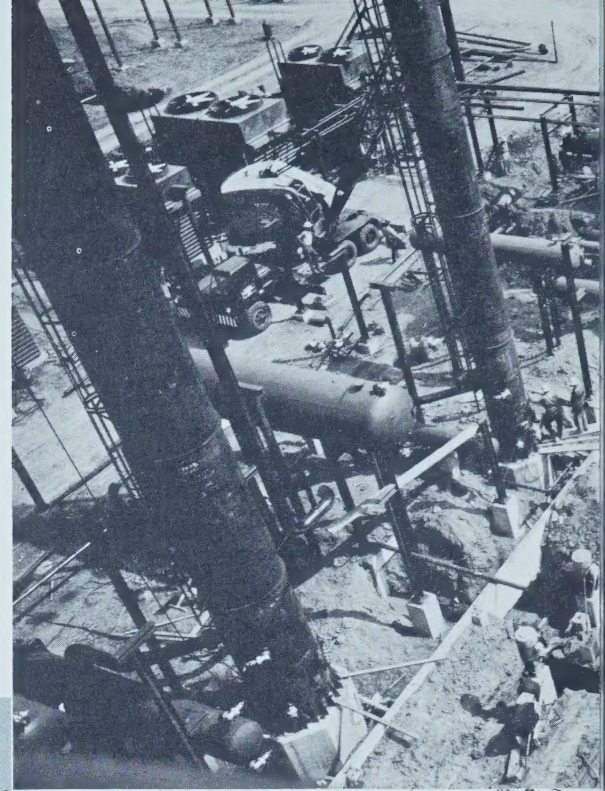


Steelman Gas Gathering System

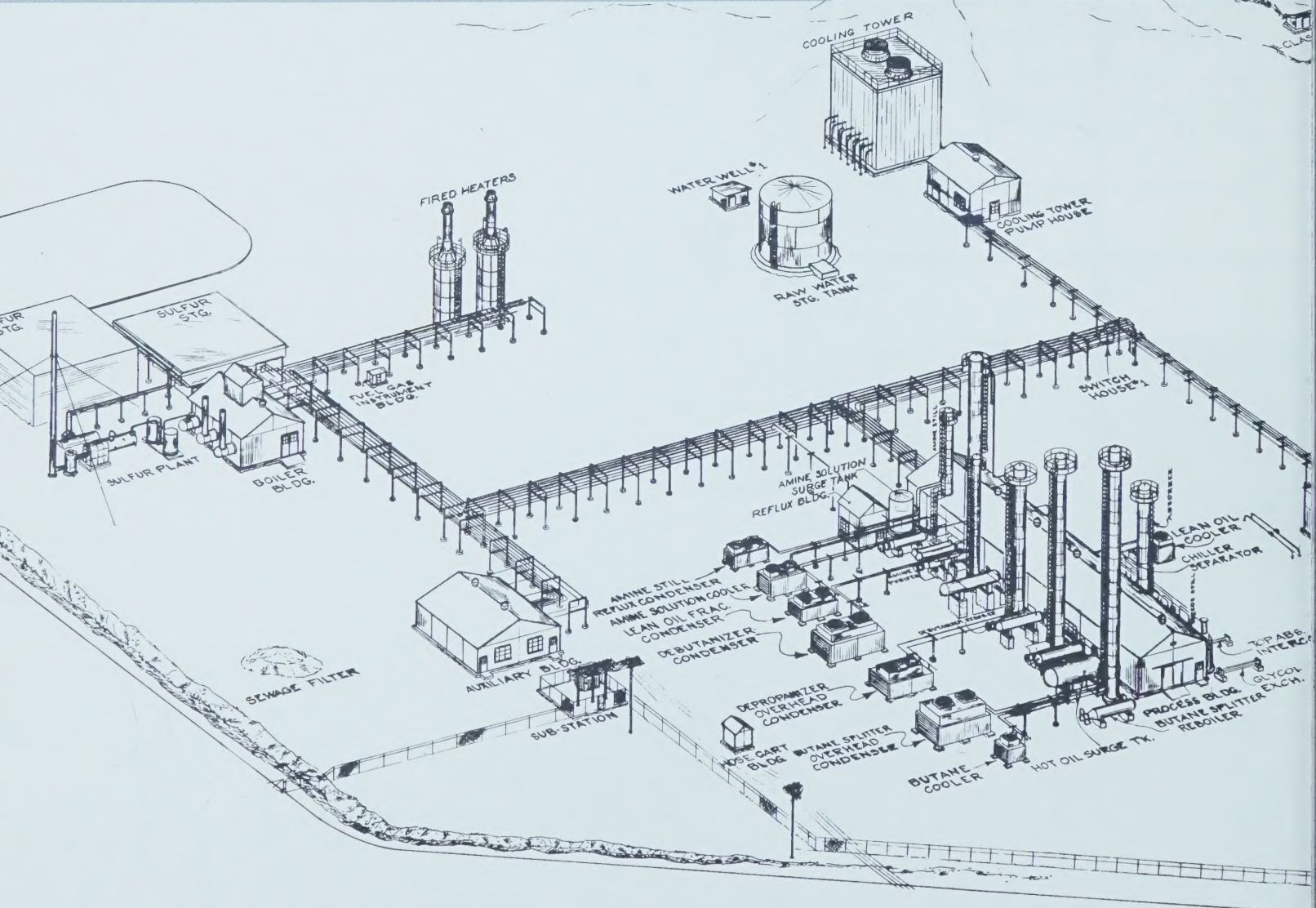
- Battery Location
- Compressor Station
- ⊙ Future Compressor Station

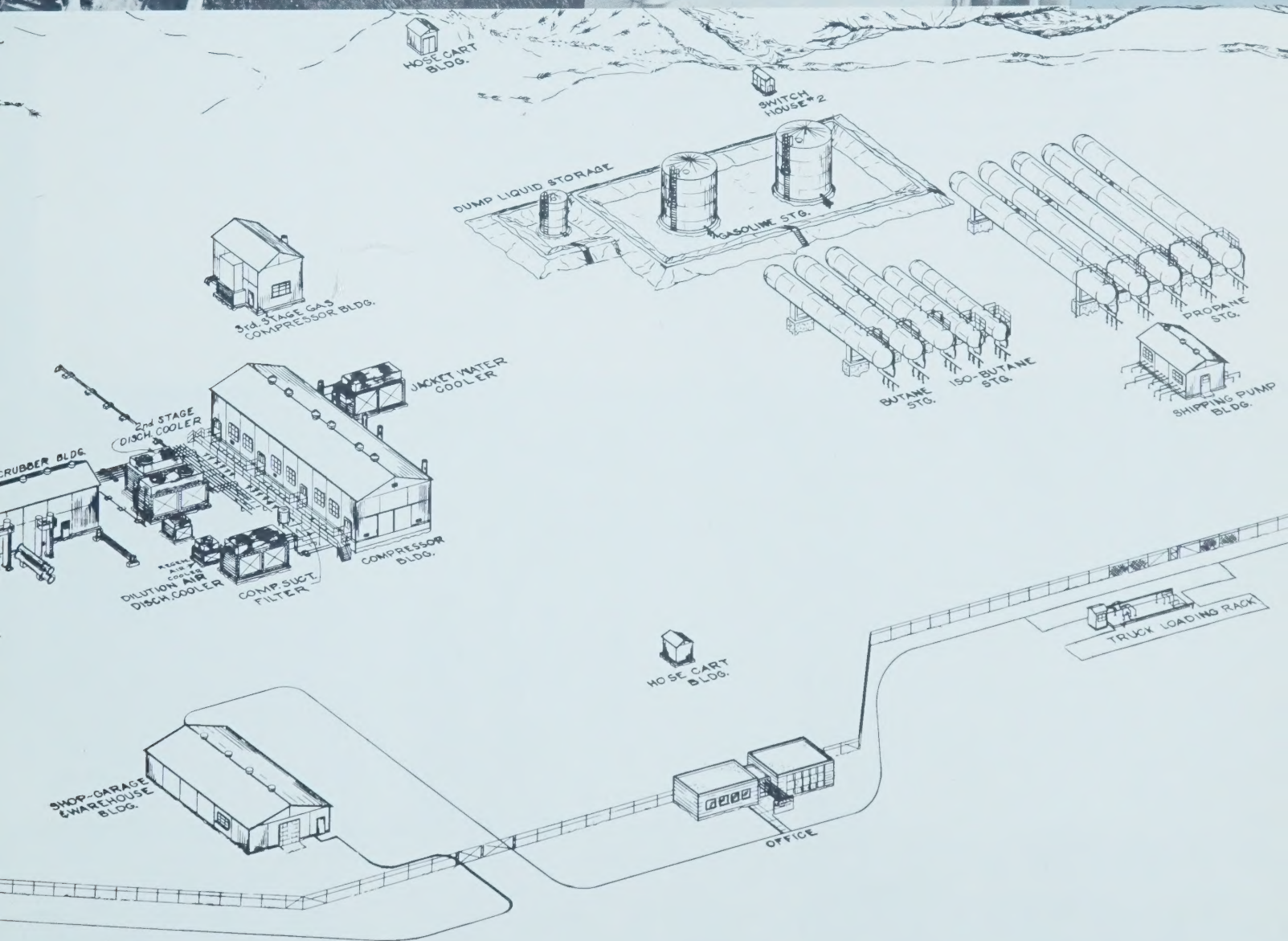
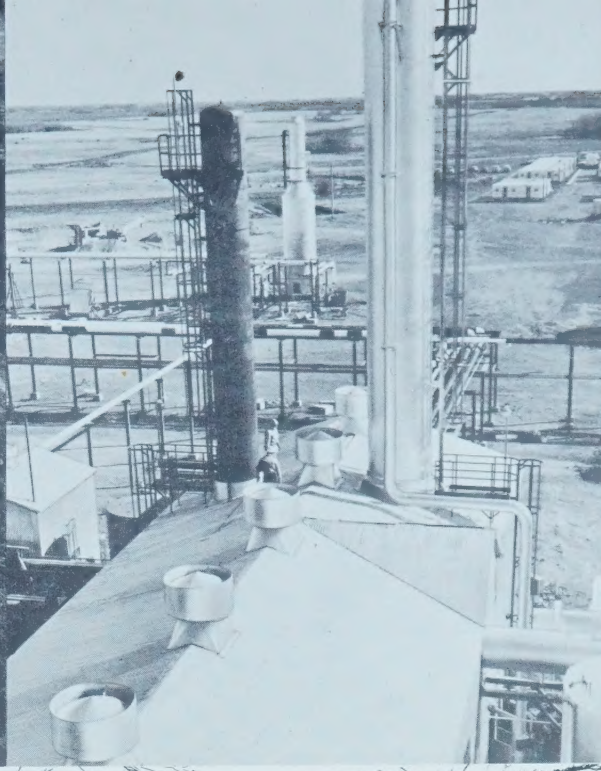
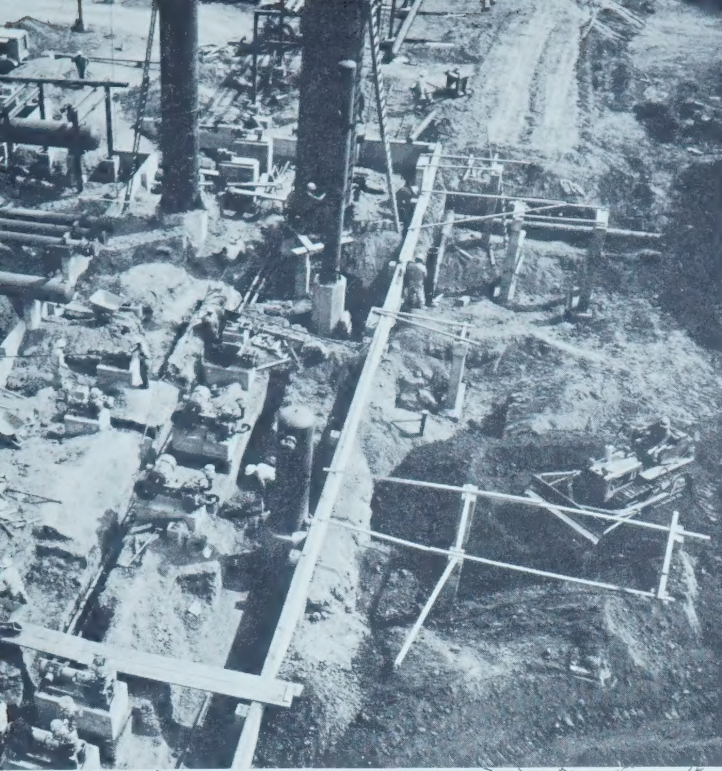
Right: A view of the process area during the erection of the fractionation towers.

Far right: A later view of part of this area after the construction of the process building but before the insulation of the towers was completed.



Steelman Gas Conservation Plant





Propane storage—Steelman Gas Limited is also installing facilities for the storage of propane in underground salt caverns near the town of Melville, 115 miles north-east of the Steelman plant. Two storage wells and a brine disposal well have been completed to date with additional wells planned to bring the ultimate storage capacity up to approximately 18 million gallons. Propane will be transported from the plant to the underground storage in railway tank cars during the summer months so that it will be available to meet peak demands during the winter season.

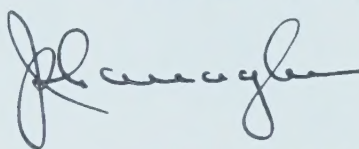
Management—Under the terms of an agreement dated January 1, 1958 between Steelman Gas Limited and Dome Exploration (Western) Limited, now Dome Petroleum Limited, Dome manages the business and operations of the Company, including the construction and operation of the gathering system, processing plant and the propane storage facilities.

Financial—The total estimated cost of the project was \$10,500,000. It is believed that the final costs on the completion of the project will be below this original estimate.

The majority of the funds were raised by the sale to private institutional investors of \$6,000,000 First Mortgage Bonds with common share warrants and the sale to the public of \$2,000,000 of debentures with 160,000 common shares. The remaining funds were provided by the sale of common shares to the sponsoring companies, Dome Petroleum Limited and Provo Gas Producers Limited and also to the underwriters of the debentures.

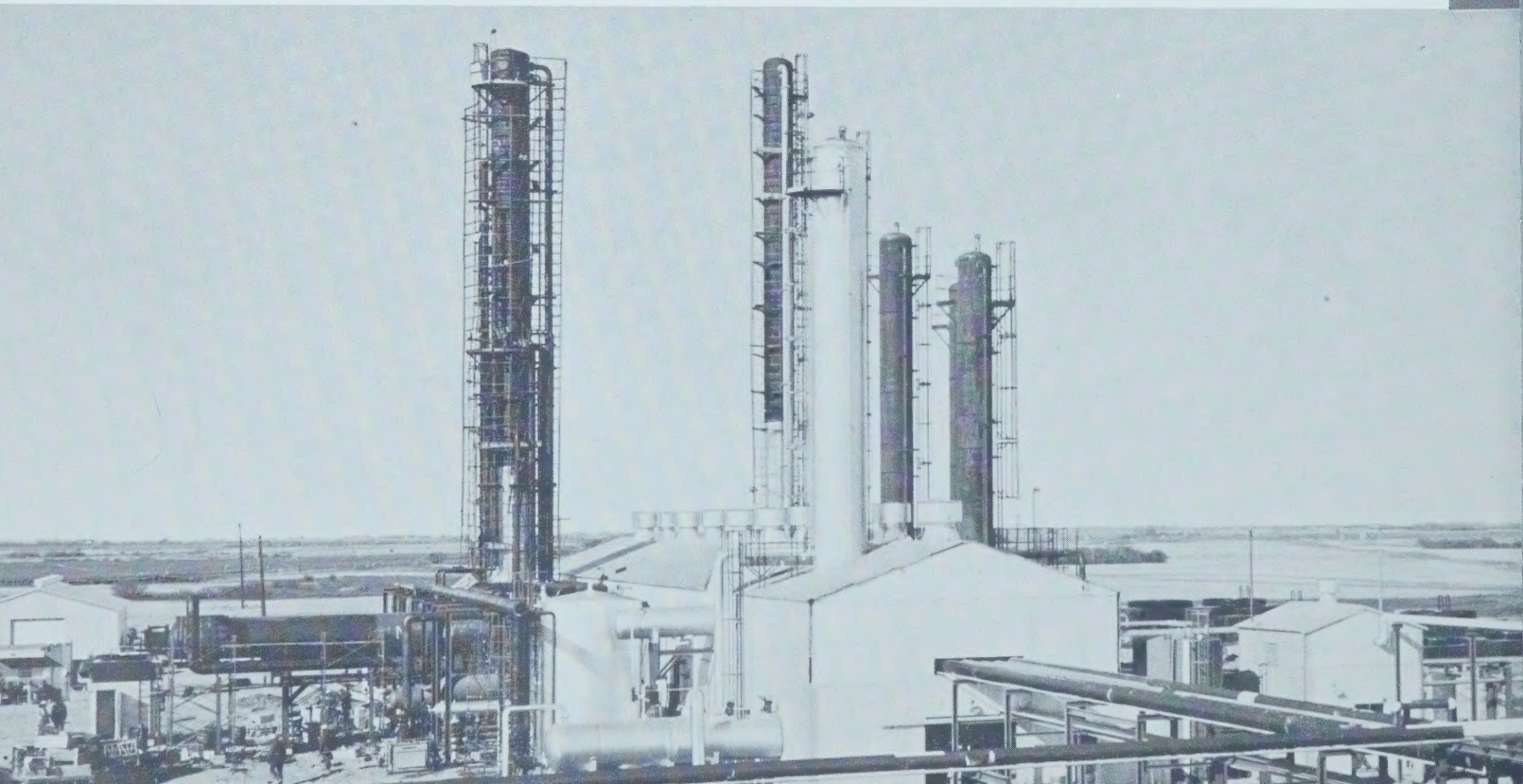
The commencement of operations at the Steelman plant is the culmination of the efforts of many individuals and groups involved in the planning, engineering, financing and construction of the project. We would particularly like to thank the officers and employees of Steelman and Dome Petroleum Limited who gave so much of their time and effort toward the successful completion of this project.

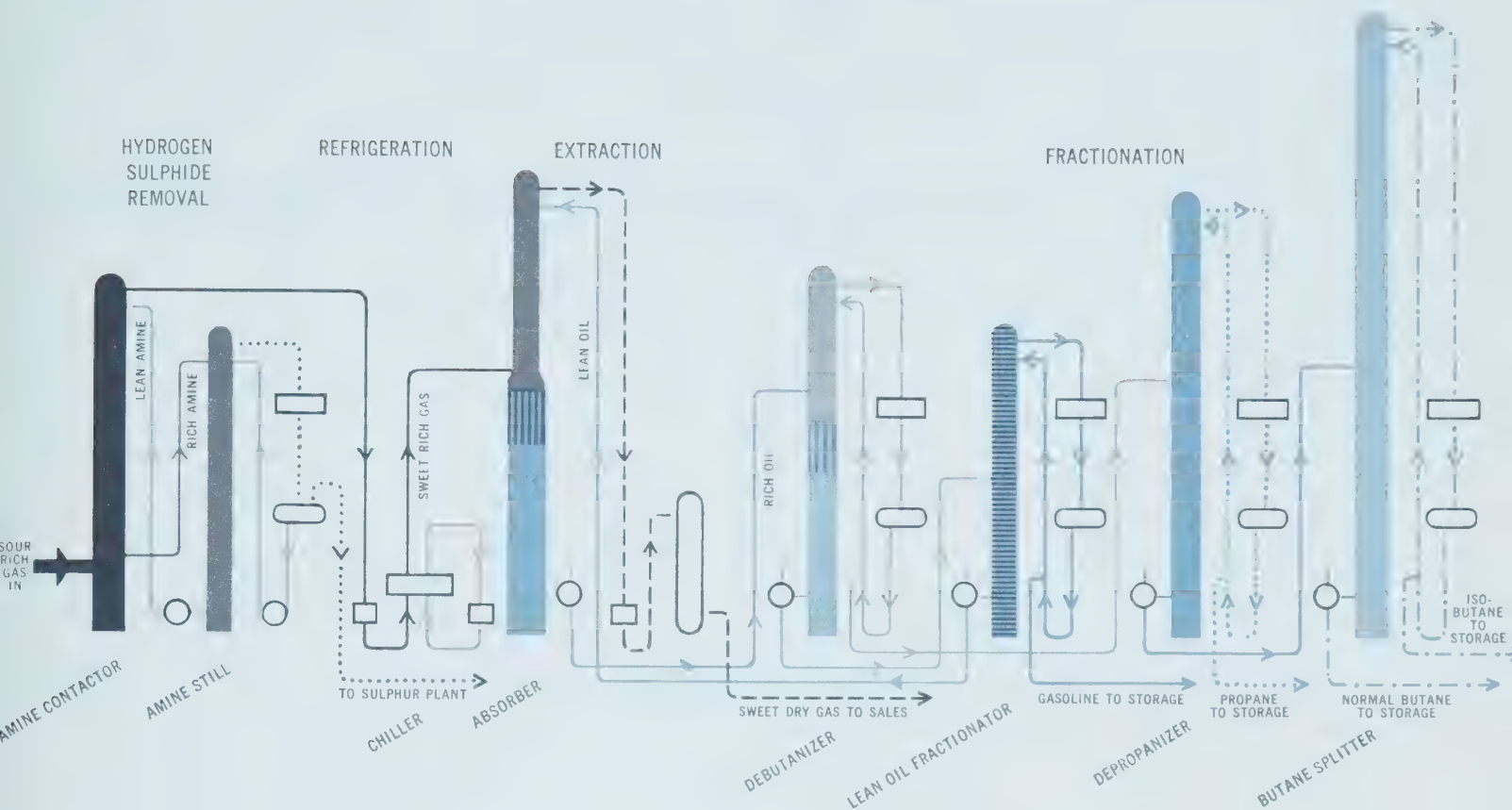
On Behalf of the Board,



President

Calgary, Alberta, December 1, 1958





The processing of the casinghead gas is carried out by a combined refrigeration and absorption method. A simplified flow chart of this operation is included above for your reference. The casinghead gas enters the plant at approximately 60 pounds per square inch pressure and is contacted with a liquid stream of monoethanolamine. Carbon dioxide and hydrogen sulphide are removed from the stream and passed to a sulphur plant in which molten sulphur is produced by a process utilizing combustion and condensation of the resulting gas. The original gas, now free of acid, is compressed in two stages to 550 pounds per square inch. After ethylene glycol is injected for dehydration, the gas is chilled to a temperature of plus 25 Fahrenheit and some of the hydrocarbons are condensed. These liquids and the balance of the gas flow to a deethanizing absorber in which the desirable liquid components are separated out by application of heat and the circulation of a light oil. The propane and butanes are fractionated overhead and the heavier material comprising the natural gasoline is separated out. The propane and butanes are then subjected to additional fractionation in the depropanizer from which propane is produced overhead and passed on to storage. The butanes are then separated into iso-butane and normal butane in a butane splitter. The residue gas remaining after the processing, which has a heating value of 1,161 BTU per cubic foot, is mixed with dry air in a compressor unit to reduce the heating value to 1,000 BTU per cubic foot.





Steelman Gas Limited Balance Sheet

INCORPORATED UNDER THE LAWS OF SASKATCHEWAN

ASSETS

Current:

Cash		\$	307,591
Short term bank deposit including accrued interest			289,819
Funds on deposit with trustee for First Mortgage Bondholders, including accrued interest	\$2,940,729		
Less estimated amount required to complete facilities under construction	1,405,120		1,535,609
Advances and prepaid expenses			10,626
		\$	2,143,645

Funds on deposit with trustee required for completion of facilities under construction—see above			1,405,120
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Property, plant and equipment—at cost:

Facilities under construction (Note 1)	\$8,134,880		
Automotive and office equipment	11,681		8,146,561

Other:

Preproduction expenses	\$	58,538	
Bond and debenture discount and financing expenses		352,629	411,167

Approved on behalf of the Board:

D. M. Wolcott, *Director*

M. F. Strong, *Director*

\$12,106,493

See accompanying notes to balance sheet

SEPTEMBER 30, 1958

LIABILITIES

Current:

Accounts payable and accrued charges	\$ 1,359,255	
Due to affiliated companies	15,349	
Accrued interest on long term debt	80,639	
	<u>\$ 1,455,243</u>	

Long term debt:

6% First Mortgage Bonds due February 15, 1970, subject to amortization fund commencing 1960—		
Series A (U.S. \$4,000,000)	\$3,901,250	
Series B	<u>2,000,000</u>	
	\$5,901,250	
6% Debentures Series A due May 15, 1973, subject to sinking fund commencing 1960	<u>2,000,000</u>	7,901,250

Shareholders' equity (Notes 2 and 3):

Capital—

Authorized:

3,000,000 common shares of \$1 par value each

Issued for cash during the period:

1,100,000 shares \$1,100,000

Paid-in surplus (excess of proceeds from sale of shares over their par value)

1,650,000 2,750,000

Commitments (Note 1)

\$12,106,493

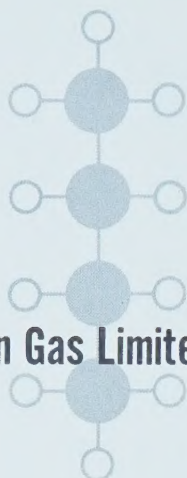
Auditors' Report To the Shareholders of Steelman Gas Limited

We have examined the balance sheet of Steelman Gas Limited as at September 30, 1958 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at September 30, 1958, according to the best of our information and the explanations given to us and as shown by the books of the Company, and all the transactions of the Company that have come to our notice have been within the objects and powers of the Company.

Calgary, Alberta, November 19, 1958.

Clarkson, Gordon & Co., Chartered Accountants.



Steelman Gas Limited Notes to Balance Sheet

SEPTEMBER 30, 1958

1. Since September 30, 1958 the Company has substantially completed construction of its processing plant, gas gathering system and storage facilities in Saskatchewan. The total costs of such facilities (including interest on long term debt during construction) are estimated at \$9,540,000, of which \$8,134,880 had been incurred to September 30, 1958. There were outstanding commitments at September 30, 1958 for a substantial portion of the remaining costs.
2. 180,000 shares of the Company's capital stock have been reserved for the exercise of Stock Purchase Warrants issued with the 6% First Mortgage Bonds which entitle the holders thereof to purchase 30 shares of the Company's capital stock in respect of each \$1,000 principal amount of Bonds at a price of \$2.50 per share until September 30, 1965 and at varying rates thereafter until September 30, 1970.
3. The trust deeds securing the 6% First Mortgage Bonds and 6% Debentures Series A contain various provisions and restrictions affecting, inter alia, the payment of cash dividends, the redemption or purchase of capital stock, the issue of additional bonds and debentures, and the making of investments in, or loans to, other companies.

